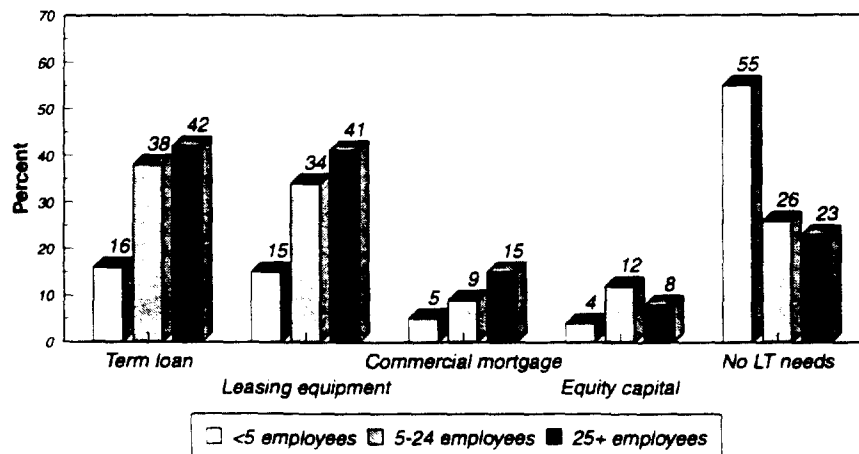
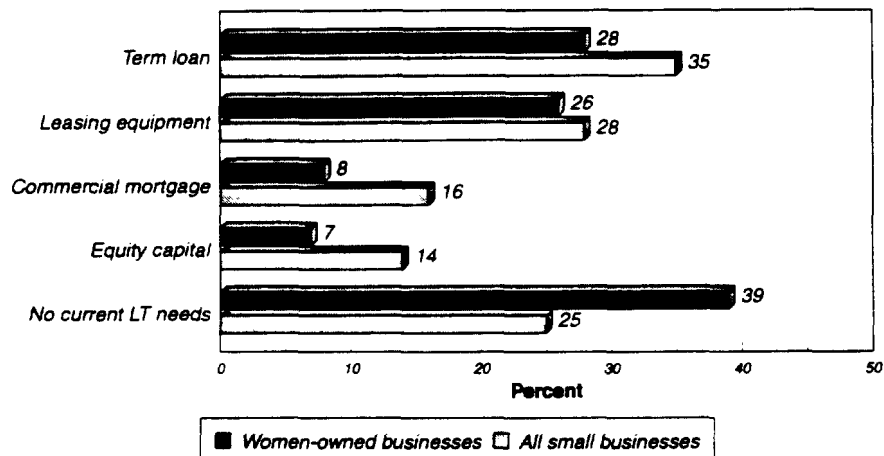


Types of Long Term Capital



Source: NFWBO
Note: Multiple responses allowed

Comparison of Types of Long Term Financing Used

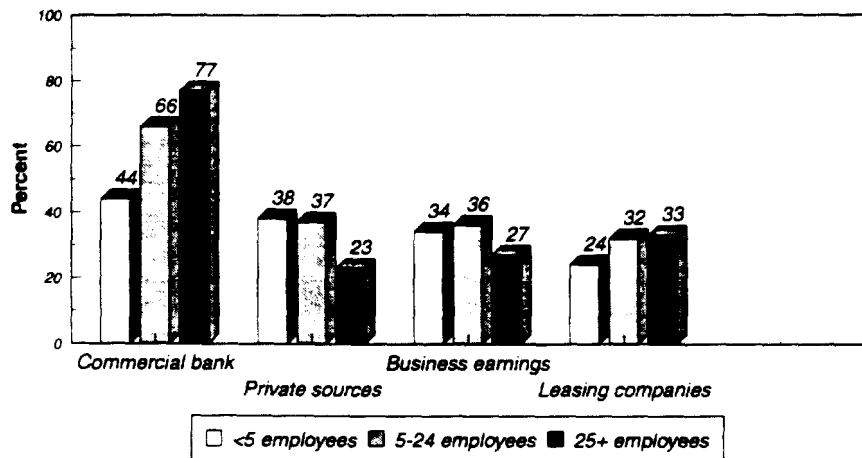


Source: NFWBO and NSBU
Note: Multiple responses allowed

Although the long-term capital needs of women-owned businesses are similar to most businesses, a greater proportion of women-owned firms are turning, or are forced to turn, to private sources of funding -- and *multiple* sources of funding -- rather than to banks for their long-term capital needs.

- The largest single source of long-term capital, for both women- and men-owned businesses, are financial institutions. Banks are the source of 60% of the long-term capital needs of women-owned firms, while they supply 52% of the long-term capital needs for small- and medium-sized businesses as a whole.
- Other important sources for long-term capital needs are private sources (34% for women-owned firms, 15% in general), business earnings (33% women-owned firms, 23% in general), and leasing companies (29% for women-owned firms, 19% for all firms).
- Larger women-owned businesses are more likely to use banks for long-term capital requirements, while smaller firms turn to private sources to nearly the same extent as they do to banks. However, regardless of business size, women business owners are tapping private sources, and a wider variety of sources, at a greater rate than are other business owners.

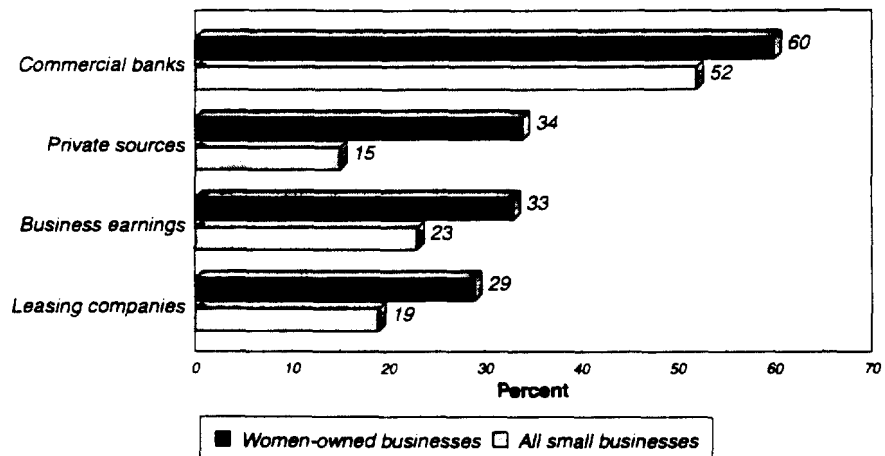
Sources of Long Term Capital



Source: NFWBO

Note: Multiple responses allowed

Comparison of Sources of Long Term Financing Used



Source: NFWBO and NSBU
Note: Multiple responses allowed

SUMMARY AND CONCLUSIONS

Women-owned businesses are a growing and increasingly significant sector of the nation's economy. They provide employment for more people in the United States than the Fortune 500, increased sales and employment last year despite slow economic growth, and are poised for continued expansion and growth in the coming years.

Unfortunately, there are barriers to this continued growth. Financing their business' growth remains a key concern to women business owners, and access to capital is identified by them as one of the most significant barriers to their business' growth.

Among the key findings of this analysis of the types and sources of financing among women business owners:

- Women business owners rate themselves as somewhat conservative in their financial policies, placing themselves an average 2.45 on a 1 to 5 scale. Fully 51% place themselves on the conservative end of the scale, 28% in the middle, and 17% classify themselves as aggressive financially. Women-owned businesses neither expand nor contract as rapidly as other businesses, making them a safer risk for investors and lenders.
- Fully two-thirds of women business owners report difficulties in working with their financial institutions; women-owned businesses are 22% more likely to report problems dealing with their bank than are businesses at large.

- Three-quarters of all women-owned businesses have sought short-term financing within the past year; the largest single type of short-term financing used by women business owners is credit cards. Women-owned firms are much heavier credit card users than other small firms, most of whom use bank loans and vendor credit for short-term financing.
- Despite the problems encountered when seeking financing for their business, banks are the most popular source of short-term financing for women and men business owners alike. However, a larger proportion of women business owners rely on private sources for financing than do their male counterparts.
- Just over six in 10 women business owners state that they have long-term capital needs, a lower percentage than all small- to medium-sized firms. The types of long-term capital sought within the past year or that women business owners plan to seek in the next 12 months include term loans from a financial institution and equipment leasing.
- Although the long-term capital needs of women-owned businesses are similar to most businesses, a greater proportion of women-owned firms are turning, or are forced to turn, to private sources, and to a wider variety of sources, to fulfill their long-term capital needs.

Business financing is one of the most important issues facing small businesses today. It is a key concern among women business owners, who are encountering significant barriers to access to capital. These barriers are hindering the growth of these businesses -- businesses that are growing at a faster rate than the national average despite these hindrances. Removal of these financial barriers would encourage even stronger growth in this important sector, and would result in much greater economic growth throughout the economy.

METHODOLOGY

In November 1992, the National Foundation for Women Business Owners (NFWBO) mailed 3,855 questionnaires to members of the National Association of Women Business Owners (NAWBO). Of the 3,855 questionnaires sent out, 1,071 completed questionnaires were returned -- for an impressive 28% response rate.

A respondent base of 1,071 yields statistical reliability of plus or minus 3.2% at the 95% confidence level. This means that, 95 times out of 100, survey responses will be within 3.2% of true population values.

The completed questionnaires were tabulated and analyzed by C.J. Olson Market Research in Minneapolis, MN, a woman-owned research firm. Carolyn Olson, President of C.J. Olson Market Research, also assisted NFWBO in the design of the survey.

ENTERPRISE

Venture Capitalists Target Women-Owned Businesses

New Funds See Opportunities for Investment in a Market Long Neglected

By UDAYAN GUPTA

Staff Reporter of THE WALL STREET JOURNAL
For years, the venture-capital industry virtually ignored businesses owned by women. But now, such entrepreneurs can tap a new source of money: funds targeted solely at women.

Several venture-capital funds recently have sprung up to provide female entrepreneurs with capital. Among them: Women's Equity Fund in Boulder, Colo.; New Era Capital Partners in Los Angeles; and Inroads Capital Partners in Chicago. Together, the funds say they could provide women-owned businesses with as much as \$180 million by the end of this year.

Although the \$180 million is "still nowhere near the capital that women need, it's an important first step," says Dawn-Marie Driscoll, a Cape Coral, Fla., author and business consultant. The money may "serve to encourage traditional commercial lenders and other capital providers to look seriously at women as entrepreneurs," she adds.

Resort to Credit Cards

Experts estimate that women-owned businesses received less than 1% of the approximately \$3 billion invested by institutional venture capitalists in 1993. Yet businesses owned by women account for an estimated 30% of all U.S. businesses. For many women entrepreneurs, "credit cards are the No. 1 source of short-term financing," Ms. Driscoll says.

Some new venture capitalists aim to change that. They see the most promising opportunities in helping established women-owned businesses to expand. They also expect big gains from financing the consolidation of small, fragmented businesses and funding transitions in fam-

ily-owned enterprises.

The specialized venture-capital funds say they plan to concentrate on industries such as retailing, food products, health care and media where women play major roles or where growth is expected. The largest numbers of female-owned businesses currently are found in retailing and in business and professional services.

With women creating businesses at a record rate, their ventures "offer extraordinary opportunities for investment," says Aaron Harber, chairman of Women's Equity Fund. "Traditional financial institutions have overlooked or missed a number of exceptional investment opportunities offered by women-owned businesses."

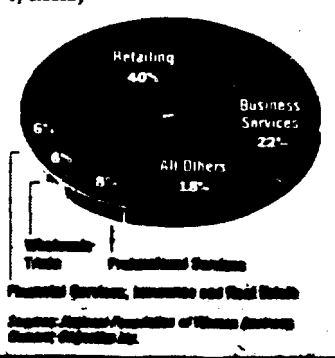
'Lean, Well-Managed Companies'

Mr. Harber, an economic consultant, and Annette Taylor, a former banker, have put together more than \$55 million in debt and equity capital to invest in women-owned businesses based in Colorado. Organized in 1992, their fund completed its financing last week. It intends to begin investing within the next 60 to 90 days, Mr. Harber says.

"Women have built significant businesses in spite of being denied access to traditional sources of capital," notes Judith Frank, co-founder of New Era Capital Partners. "Many of these businesses are lean, well-managed companies with excellent potential that have not been overpriced by the capital markets." Ms. Frank, a former Warner Bros. executive, teamed up last spring with venture capitalists Raymond Doig and Robert Flynn. The trio now is trying to raise \$50 million for New Era, which will invest in women-owned enterprises across the country.

Favored Fields

Distribution of women-owned businesses by industry



Last month, Sona Wang, Margaret Fisher and Jerrold Carrington launched Inroads Capital Partners, which plans to raise \$75 million. The fund primarily will invest in businesses owned by women. Even though such businesses have received some funding from traditional venture capitalists, "most women and minority entrepreneurs seldom find their way to these funds," explains Ms. Wang, a general partner at Batterson, Johnson & Wang, a traditional venture-capital concern in Chicago. (The new fund has no official link to Batterson Johnson.)

Ms. Wang says that one major problem is the paucity of female partners at traditional venture-capital funds. Even at the handful of funds with female partners, women-owned businesses rarely get the nod. Of the 16 investments made by Batterson Johnson since 1988, Ms. Wang notes,

only one was a start-up founded by a woman.

But not every female entrepreneur sees a need for venture funds that invest exclusively in women. In industries such as computer technology and biotechnology, ventures founded by women get funded without gender discrimination, says Ann Winblad, a successful software entrepreneur who later became a managing partner of Hummer Winblad Venture Partners in Emeryville, Calif. The venture-capital fund invests only in software firms.

"It could be counterproductive to segregate women into an all-women's fund," Ms. Winblad says. Moreover, women business owners themselves may shy away from such funds, the venture capitalist adds. "Would I be attracted to a fund that invests only in women?" she asks. "It isn't as appealing as a broader fund."

Whether the specialized funds ultimately succeed also is an open question. Only one fund has completed raising its capital. Inroads and New Era admit that the task won't be easy because investors are wary of new venture-capital funds. But both funds are encouraged by the growing desire of public pension funds to invest in enterprises owned by women and minorities.

More pension funds, under pressure to make socially responsible investments, are attracted to businesses owned by women and minorities. Because such businesses have largely been overlooked in the past, "the opportunity to make money by investing in them is seen to be even greater," says Kelly Moylan, a principal at Hamilton Lane Advisers. The Philadelphia concern evaluates alternative investments for public pension funds.